

NORWAY

# Information

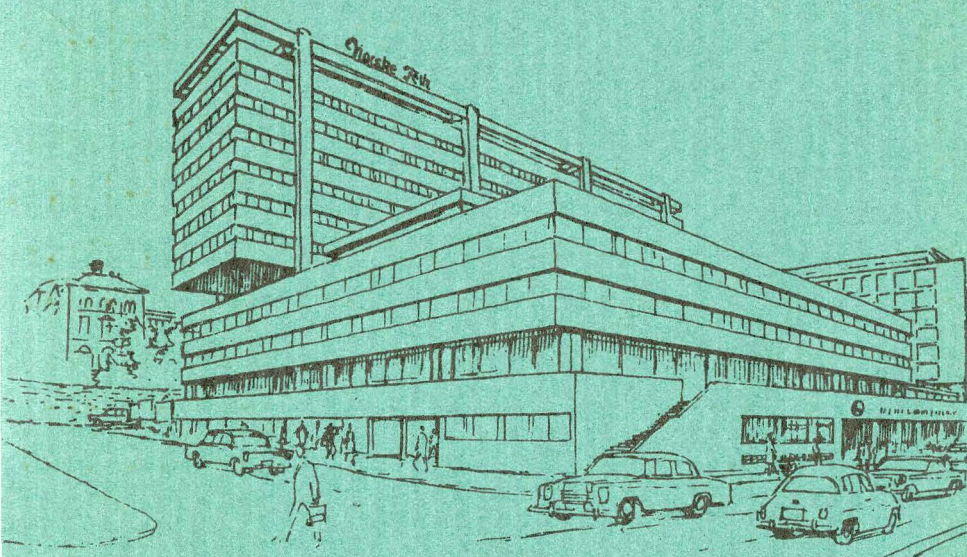
FROM NORSKE FOLK

May 1974

(3rd edition)

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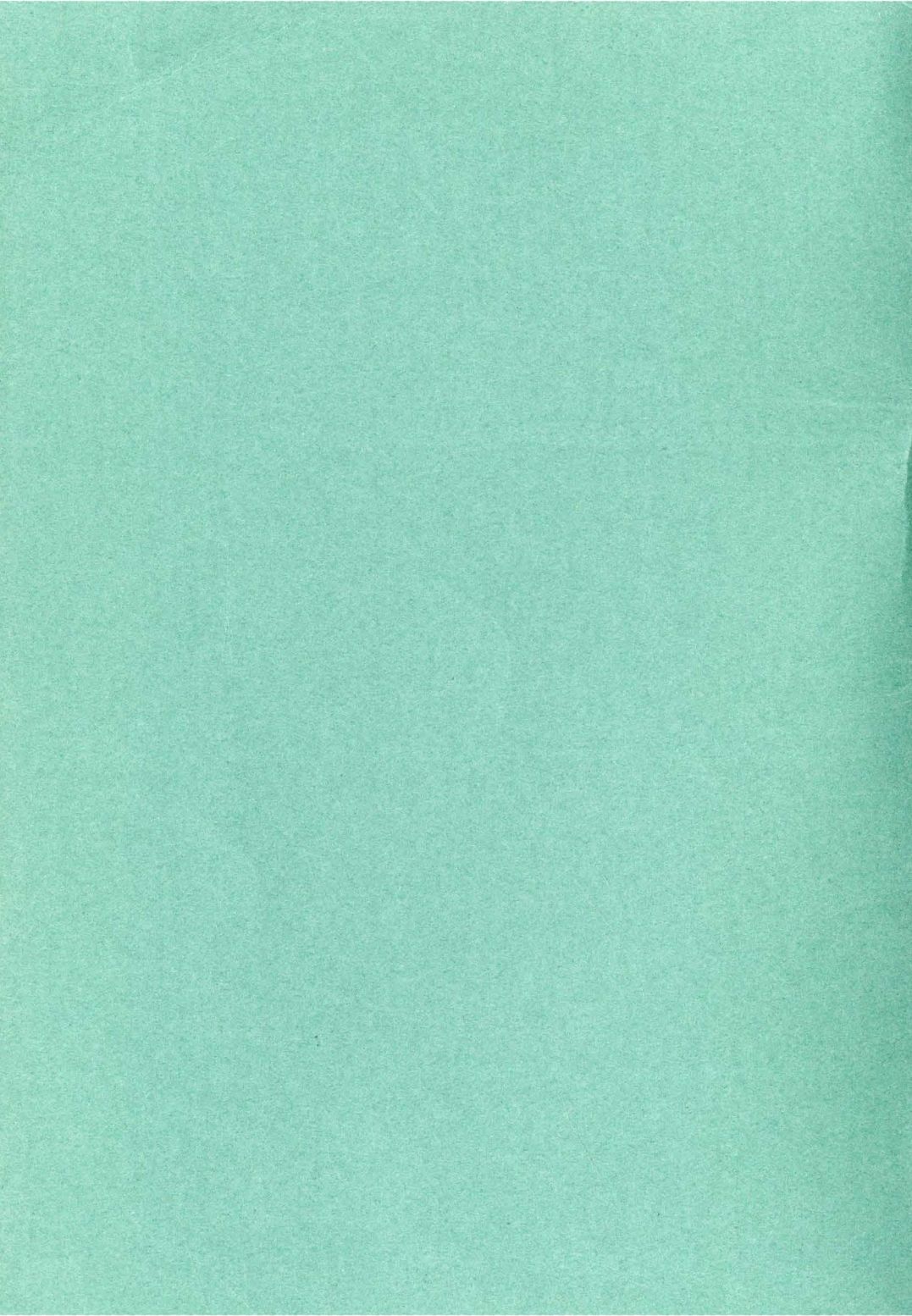
Facts about National Insurance (social security)  
Private Employee Benefit Plans in Norway  
Life and Pension Insurances  
and related Taxation



*Norske Folk*

Life and Pension Insurance Co.  
OSLO





Preface  
to  
NORSKE FOLK's INFORMATION FOLDER  
May 1974  
(3rd edition)

TO OUR CUSTOMERS AND FOREIGN FRIENDS

Norway has an advanced system of social security. There exist well established benefit plans in private business to supply the state benefits, besides wide-spread individual life insurances.

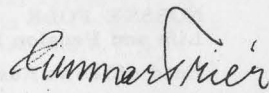
Our country is small, with only 100 companies employing more than 700 persons each. Perhaps therefore, and due to a highly modernised life insurance business, Norwegian employers overwhelmingly prefer insured pension plans to self-administered funds.

This booklet presents you with the social security, benefit plan philosophies, related tax questions, and how Norske Folk arranges such plans. More than 60 % of all private plans in Norway are funded in Norske Folk, and by far the greater part of the multinational companies have chosen Norske Folk as their insurer in Norway. Norske Folk is also ranking high in the fields of individual life insurances for business men, employees and wage-earners in Norway.

Financing is only shortly touched here although the yearly investments (in 1974 approaching 850 million Kroner) plays an important role in Norske Folk's business. We refer to our Annual Report and we shall gladly give you any other information you may want.

Our first information folder was sent to our connections abroad in November 1971. This 3rd edition is a continuation of our information system. The information will be updated from time to time - especially when important news should be reported.

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NORSKE FOLK  
Life and Pension Insurance Co.  
Head office in Ruseløkkveien 26, OSLO, Norway



## THE LIFE INSURANCE BUSINESS IN NORWAY - AND NORSKE FOLK

Life insurance business is today written by twelve Norwegian life insurance companies, of which Norske Folk according to total assets ranks as no. 1.

The life insurance companies in Norway are operating on exactly the same premium-tariffs. A factor of competition between them, however, lies in the fields of service and distribution of profits.

The social security system in Norway has been improved considerably during the recent years. In 1967 a compulsory and all-embracing National Pension Scheme was established. There is great interest in Norway to supplement the social security system by means of private insurances. Life and pension insurance is favoured by the Tax Laws.

Supervision of life insurance companies is particularly strict in Norway. Specific rules have been laid down for the investment of the capital of the "insurance fund". The investments permitted are mainly:

Norwegian State Bonds and bonds guaranteed by the State or municipalities, mortgage loans in property up to the equivalent of 6/10th of the value thereof, real estate and shares in Norwegian joint-stock companies (real estate and shares must not exceed 15 % of the total investments).

According to special government regulations banks and life insurance companies have been imposed to invest a certain percentage of their net total annual new investments in Government Bonds and other Norwegian Bonds payable to bearer. For life insurance companies the percentage at present is 40 % of new investments.

Norway's official rate of discount, which was raised from  $3\frac{1}{2}$  % to  $4\frac{1}{2}$  % in September 1969, is now  $5\frac{1}{2}$  % p.a. since 30th March 1974. This immediately brought about increases in the rates of interest for nearly all new investments in Norway. The interest rate on existing loans regularly would be lifted by 1 % p.a. at the earliest convenience.

The interest rate on first priority mortgages in private housing thus presently is 7 % p.a. (maximum due to official regulations) for loans under a certain limit. Other investment bear somewhat higher interest, up to 8 or  $8\frac{1}{2}$  %. Norske Folk's average yield on new investments in 1973 was 6,77 %, and on total assets 6,17 %. Perhaps our average yield on new investments in 1974 will clearly pass 7 %, and on total assets pass 6,4 % this year and 6,7 % in 1975.

Norske Folks investments are spread over a wide range - for instance loans to industry, housing projects, office buildings, power stations, ships, bridges, etc.

Norske Folk - the company

Norske Folk was founded in 1917 by seven other Norwegian life insurance companies in order to cover some specific fields of insurance. These fields were Group Pension Insurance, Industrial Life Insurance and Reinsurance for other Norwegian life insurance companies. Some of the original seven shareholding life insurance companies have merged and there are today five remaining shareholders. Today the company writes all kinds of insurances ordinarily written by Norwegian life insurance companies.

The share capital of Norske Folk is N Kr 700.000 and the dividend to shareholders are by the company's by-laws limited to 5 per cent yearly. (Norske Folk's total assets at the end of 1973 was N Kr 5.027.632.000.) The surplus is being returned to the policyholders and the insured in the form of bonus and guaranteed additions to the benefits. Norske Folk's share of the total assets and the total premium income for the twelve Norwegian life insurance companies is about one-third. (Norske Folk's premium income in 1973 was 350 million Kroner).

New investments in 1974 expectedly will approach 850 million Kroner.

The Board of Norske Folk consists of 5 representatives for the shareholding companies, 2 representatives for the policyholders, 2 representatives for the insured, and the Managing Director.

Norske Folk has its home office in the capital Oslo, and about 30 district offices in cities throughout the country. The company has about 500 employees and full-time salesmen. In Norway the life insurance companies usually have part-time agents selling life insurance. Norske Folk has 1100 part-time agents of this kind.

The home office is organized in 8 sections: Group insurances (pensions and group life), Individual insurances, Sales, Accounting, Investments, Personnel, Actuary and ADP. There are several departments within most of the sections.

Norske Folk has its own office-buildings in some of the largest cities in Norway - most of the space is rented to other firms. In Oslo the home office moved into a new office-building in 1969.

Norske Folk extensively applies ADP. The first installment of electronic data processing equipment was made in 1962. - The company started corporate planning and organizational development about five years ago. The company's yearly budget and the long-range planning are coordinated and a yearly cycle is established.



## INSURANCES in Norske Folk

Group Pension Insurance  
Group Life Insurance  
Individual Life Insurance  
Individual Annuity Insurance  
Individual Pension Insurance  
Life-Reinsurance

### GROUP PENSION INSURANCE

A collective pension insurance which an employer (company, institution etc.) takes out for the benefit of groups of employees and their dependants. An agreement between the employer and Norske Folk shall stipulate general provisions for eligibility, retirement age, pensionable salary, percentage of pension per year of company service etc. Eligibility is obligatory after a fixed qualifying period. Benefits insurable are:

- (i) Retirement pension, payable from retirement age and for rest of life or up to a certain age.
- (ii) Widow pension, payable from death and for widow's rest of life or up to a certain age (irrespective of remarriage).
- (iii) Children pension, payable from death and for all children of the employee up to age 21 or 18 for each.
- (iiii) Disability pension during temporary or permanent disablement due to sickness or injury, payable from 3 or 12 months after disablement occurred, ceasing no later than retirement age or death.

If the group insured covers only 1, 2, 3 or 4 members, a health examination is required before membership is admitted. For groups of five or more, it is sufficient that the employer declares the employee to be fully able to work.

Premiums are payable in advance yearly, sometimes half-yearly or quarterly. They are calculated as individual level annual premiums normally payable to retirement age and waived in cases of disablement. The premiums are based on the "collective probability" for widow and children pensions, involving the probability for being married, the mean age difference between man and wife, and the average number and age of children.

## GROUP LIFE INSURANCE

Members of a group pension scheme in Norske Folk may join a special group life insurance scheme securing a fixed amount payable at death before age 45 or a gradually smaller amount at death after age 45. Membership is permitted regardless of how few members the pension scheme actually covers.

Ordinary group life insurance for employees in Norway requires 15 members of the group as a minimum. If membership of the insurance is voluntary (i. e. the employees are contributing to the cost), a certain minimum percentage of the entire group generally described must join.

An agreement between employer and Norske Folk shall stipulate the general provisions for eligibility and the insurance sum payable at death.

In groups with less than 25 persons health declarations are required. In bigger groups the employer must merely declare the members fully able to work.

Premiums are payable in advance annually, semi-annually or quarterly. They are risk premiums covering the death risk of the group, recalculated once a year.

Membership ends at ceasing service or attaining retirement age.

In a special type, Group Life Insurance With Disability Sum, up to 80 % of the insured sum could be cashed after two years of permanent disablement, and - depending on age - the sum at later death may be between 20 % and 100 % of the original amount.

## INDIVIDUAL LIFE INSURANCE

The company writes all kinds of individual life insurance policies ordinarily written by Norwegian life insurance companies.

The most frequent ones are endowment and term policies or combinations of these, on one or two lives. Instead of a whole life policy the Norwegian companies write an endowment at age 90, with premiums payable up to age 80. The market of business insurance has been growing in the last decade.

The premiums may be paid as single premiums or level premiums, payable annually, semi-annually, quarterly or monthly. Except for the policies paid with single premiums waiver of premium in event of disability is available for all policies provided the insured is of normal good health.

All policies participate in the distribution of surplus.



## INDIVIDUAL PENSION INSURANCE

designated "Individual Pension Insurance in conformity with the tax laws".

Pension insurance taken out for individuals, with benefits stipulated within the frame of Tax Rules i. e. :

- (i) retirement pension, payable from retirement age and for rest of life or up to a certain age.
- (ii) widow pension, payable from death and for the widow's rest of life or up to a certain age.
- (iii) pension with guarantee, guaranteed for 10 years of payment as a minimum, payable from retirement age or previous death.
- (iv) children pension payable from death and for all of the children up to age 21 for each.
- (v) disability pension payable from 3 months after disability occurred.

Premiums payable in advance yearly, half-yearly, quarterly or monthly, calculated as individual level premiums. The premiums are based upon actual ages for man, wife and children.

## INDIVIDUAL ANNUITY INSURANCE

Life insurance with benefits payable as annuities to the insured or his survivors, not within the frame of and not designated "Individual Pension Insurance in conformity with the tax laws."

## LIFE REINSURANCE

Most of the Norwegian life insurance companies reinsure with Norske Folk the parts of death risks and disability risks exceeding certain amounts per individual as decided by each company. These companies are members of a Retrocession Pool in which Norske Folk participates at equal terms. Out of the reinsurances in foreign currencies Norske Folk retains for own account up to a certain amount on each life. The reinsurances in Norwegian Kroner are wholly retroceded, either to the Pool or to foreign companies. The first surplus of every retrocession goes to the Pool. The second and higher surpluses go to foreign companies. In recent years our reinsurances to an increasing extent have been retroceded abroad. - All disability risk is retained within Norway.

## BONUS and GUARANTEED SUPPLEMENTS

All life insurance companies in Norway are using exactly equal premium tariffs, since 1964 applying a "basic interest rate" of 4 % p. a.

The considerable difference between the actual yield on investments and the "basic interest" leads to surplus, which by the principles of all (mutual and joint stock) companies' statutes shall be repaid to the insured persons and policyholders.

Repayments could be temporary premium reductions or bonus to policyholders, bonus supplements to current pensions/annuities and guaranteed supplementary benefits. Those are all decided by the insurance company and approved by the State Insurance Board ("Forsikringsrådet").

### GROUP LIFE INSURANCE

A guaranteed supplement of 20 % is added to the sum insured payable at death, in respect of all group life insurances having been in force for at least 2 years.

### INDIVIDUAL LIFE INSURANCE

In 1974 we add up to 55 % guaranteed supplements to our payments. The actual percentage depends on the type of insurance, the time the insurance has been in force, etc.

### INDIVIDUAL PENSION INSURANCE/ANNUITIES

This type of insurance has been in our business since 1961. The company pays from 5 to 20 % supplements to the currently payable insured benefits depending on the same factors as mentioned above for life insurance, and also depending on the year when the annuity started to be payable.

### GROUP PENSION INSURANCE

Norske Folk now grants a 10 % premium reduction on group pension tariff premiums due before January 1977. The reduction rate was 5 % for the period January 1970 - May 1974.

The major part of our 1973 year's profits (86 million Kroner) was allocated to the Bonus Fund for group pensions. For 1974 the employers/policyholders with group pensions receive a bonus of  $\frac{1}{2}$  % of the actuarial reserve for deferred pensions in the insurance.



Bonus supplements to the pensions insured have been paid by Norske Folk since 1959 at yearly increasing rates of percentage to the original pension, at an attempt to counteract part of the price increases. Pensions purchased prior to 1964 (on the previous tariff) furthermore have received a 12 % guaranteed supplement before bonus.

Original pension payable since year	Bonus Supplement in percentage of original pension	
	1974	1973
1949 and earlier	121 %	110 %
1950	110	100
1951	100	90
1952	89	80
1953	83	74
1954	77	69
1955	72	64
1956	68	60
1957	63	55
1958	59	51
1959	55	47
1960	52	44
1961	48	40
1962	44	37
— 1963 —	41	34
1964	41	34
1965	38	31
1966	33	27
1967	30	24
1968	27	21
1969	25	19
1970	25	19
1971	17	11
1972	9	4
1973	5	NIL
1974	NIL	

The cost-of-living index rose by  $7\frac{1}{2}$  % during 1973, which partly was met by the above raise of total pensions by 5 % in 1974.

The even heavier price increases this year will, from 1st January 1975, be met by a further 8 % increase of the total pensions (bonus inclusive), subject to the authorities' approval. Norske Folk thus pays this year a maximum extra of 148 % and next year a possible maximum extra of 167 % , when bearing in mind the basic 12 % guaranteed supplement mentioned above.

#### FUNDS' INTEREST

The rate of interest on Premium Fund and Pension Adjustment Fund (see page 11) in a group pension insurance is  $5\frac{1}{2}$  p. a. in 1974 and will be 6 % p. a. from January 1975.

## TAXATION

Private pension plans and individual pension insurance must follow specific sets of Rules pursuant to the tax laws in Norway, so called "Tax Rules", in order to allow premiums/contributions to be tax-free expenditure. Pensions are taxable income when paid. Group and individual pension insurance in case must be taken out with a life insurance company authorized to carry out life insurance business in Norway.

National Insurance pensions above a certain minimum are taxable income. Contributions paid to the National Insurance by members (employees) are not deductible from taxable income, but excess contributions for self-employed members and all contributions paid by employers/companies receive full tax allowance as operating expense.

Life insurance premiums paid by personal tax-payers and not by firms are tax-free within flat rate limits (presently N Kr 1400 for single persons and N Kr 2800 for married couples a year, including any tax-free bank savings). From the year 1975 this will change, as instead of deducting the premium from taxable income, the tax-payer will have his taxes reduced by 35 % of the amount paid in premiums within said limits, i. e. maximum reduction Kr 490, resp. Kr 980.

If the life insured is not one's own or a person supported, the insurance will be Business Life Insurance (for key-men, sole proprietorship or close corporations) and the premium for such is not tax deductible. All life insurance sums payable - at attained age or at death - will be tax-free. The same applies to Group Life Insurance, where the firm deducts the premium as expenditure when declared as salary to the employee, who in turn gets tax allowance within the framework for individual life insurance.

Taxation of premiums falls within rules for individual life insurance when the insurance secures annuities not under Tax Rules for individual pension insurance. Such annuities when payable will only partly be taxable, between 10 % and 50 % of the annuity, depending on the number of years elapsed since the premium payment started.

Some important provisions in the Tax Rules in addition to those mentioned above:

### TAX RULES for Group Pensions

- § 4     The pension scheme shall include all persons employed by the firm when compulsory insured under the National Insurance. Part-time employees with a working time less than half of full time and employees appointed less than 10 years before retirement age may be excluded. Entry to scheme could be postponed until age 25 and 1 year service is attained, but no longer than 5 years from the date employed.



§ 5 Maximum pensionable salary is 12 times the Basic Amount of the National Insurance.

Retirement age to be no lower than 67 except in a few special occupations.

§ 6 The pension plan on principle shall be the same for all groups of employees. Nevertheless, the retirement age may vary for different groups.

§ 7 A Premium Fund may be used to pay

- the annual premium for the pension scheme
- annual supplements to current pensions
- pensions to employees who on account of high age have not been included in the scheme.
- disability pensions if not covered through the fixed scheme.

§ 8 A Pension Adjustment Fund shall be applied for granting supplements to the current pensions with a view to try maintaining the purchasing value which these pensions had when they started to become payable.

§ 13 Any member of a scheme is entitled to pensions accrued at any time corresponding to those premiums/contributions paid by himself and his employer (immediate vested rights). When the reserve accrued is less than 1/4 of a Basic Amount or in case the membership period is less than 3 years, generally, the reserve for a withdrawing member may be credited to the Premium Fund. No surrender.

#### TAX RULES for Individual Pensions

§ 2 Retirement age no lower than 67 except in a few special occupations

§ 6 No surrender.

For Group Pensions the premium is tax-free regardless of size, provided only that the plan for the benefits does not contradict the Tax Rules and the pensionable salary does not surpass 12 Basic Amounts (in May 1974: N Kr 116400). For Individual Pensions, however, no premium must exceed 15 % of the yearly average of the insured's taxable income for the year claimed and the two preceding years. The 15 % rate is increased by  $\frac{1}{2}$  % per year born prior to 1917. Thus by an individual pension insurance the person having a maximum coverage in the group scheme, may supply his coverage to reflect salary in excess of 12 Basic Amounts or whatever, and get tax relief for the premium personally. When his employer pays this supplement - as often is the case -, the employer tax-wise adds the premium to the salary and leaves to the employee to deduct it in his personal income-tax return.

The employer further may fund for pension purposes tax-free by paying money to a Premium Fund and a Pension Adjustment Fund as follows:

## PREMIUM FUND

In addition to the amount of the employer's yearly premium for the Group Pension Insurance, the employer may pay each year 150 % of such amount into a Premium Fund for the insurance. The Premium Fund must not exceed 10 times the employer's premium.

Same rule applies for Individual Pension Insurances provided the premium and payment to premium fund yearly is within the 15 % rate.

Any application of premium fund money in conformity with Tax Rules may be made at the employer's/insured's discretion as to year and amount.

## PENSION ADJUSTMENT FUND

To create reserves for future pension supplements, hopefully neutralizing price increases, the employer may pay additionally 75 % of the yearly premium amount into a Pension Adjustment Fund.

## DIRECT PAYMENTS

Any payment on a pay-as-you-go basis for pensions to earlier employees or their survivors are fully deductible by the employer as yearly expenditure regardless of the amount. Say, in excess of pensions secured as maximum in the group plan in case. The pension is taxed as income for the beneficiary.

Death benefits, not being taxable when granted through a life insurance, shall be fully taxed as income when paid by the employer outside an insurance.

# NATIONAL INSURANCE

"Folketrygden"

## HIGHLIGHTS

May 1974  
yearly amounts  
Norw. Kr

Basic Amount (G)	January-April 1974	9200
	May-December 1974	9700

Pension Points =  $\frac{\text{Income} - G}{G}$ , for 1974 apply average G = 9533

### Pension at Old-Age from Retirement Age 67 years:

Basic for single G = 9700, married couple  $1\frac{1}{2}G = 14550$

+ Supplementary related to : Average of 20 best pension points, accrual period running from 1967, and year born

Formula for total full pension estimated for single person born 1940 or later, and whose pension points were constant:

G + 45 % of (salary between 1 and 8 G)  
+ 15 % of (salary between 8 and 12 G)

Estimate for a single person in percent of average salary:	Year of Birth			
	1908	1917	1927	1940
3 G	45	59	60	63 %
5 G	34	51	52	56
8 G	25	39	44	52
12 G (max)	17	27	33	40

Permanent disablement 100 % qualifies for pension as projected at retirement. Graded by disablement degree no less than 50%.

Widow and Widower receives below total pension less 40% of the survivor's real/expected working income in excess of  $\frac{1}{2}G$  :

Basic G = 9700  
+ Supplementary 55% of spouse's supplementary pension

Children up to age 18 years: 0, 40 G = 3880 for one child,  
0, 65 G = 6305 for two, 0, 90 G = 8730 for three, a. s. o.

### Member Contribution

Pension Part = 4,5% of salary, and 13,0% of other occupational income (in self-employment)

Sickness Part = 4,4% of taxable income in excess of Kr 4000 for single person / Kr 8000 for supporter

Maximum income contributory in 1974 is Kr 114300.

Employer Contribution 16,7% of total pay. No limit.

The National Insurance Act of 17th June 1966 introduced from 1st January 1967 this compulsory state scheme for all residents of Norway, providing income-graduated and price-index-varying benefits at short or long-term sickness, at disability, unemployment, pensions at old-age retirement and to surviving widow/widower and children at death of member, etc. - All current pensions from May 1974 relate to

BASIC AMOUNT G = 9700

The basic amount is adjusted semiautomatic at yearly intervals in accordance with changed price- and income-indexes. - When occasionally revising G within a year, the average for the year is applied when computing Pension Points and maximum contributory income (for 1974 see Highlights on preceding page).

#### SCOPE

All persons domiciled in Norway, irrespective of their citizenship. Norwegians residing abroad according to special rules. Foreign citizens working on board Norwegian ships and aircraft (at occupational injury and lump sum death grant).

#### BENEFIT AT SICKNESS

Medical benefit: Assistance by doctor, physiotherapeutic treatment, important medicaments, medical treatment and nursing in hospitals and nursing-homes, transport cost etc.

Cash Sickness Benefit: During absence from work after three days (Sundays excluded), for a maximum of 312 days due to same illness, counted on the basis of working income at the moment the disablement occurred (for employees and self-employed persons): Per day

$$\left( \text{Kr } 4 + \frac{\text{yearly income}}{1000} \right) + \text{Kr } 4 \text{ per dependent}$$

Income in excess of 8 G = 77600 counts 1/3rd only, and in excess of 12 G = 116400 counts nil. Maximum per day for single Kr 95, for married with two children Kr 107, a. s. o.

Maternity allowance for 72 days is paid to mothers insured with right to cash sickness benefit at equal amount.

"Sykelønsordningen", a private Supplementary Sickness Scheme negotiated by the Norwegian Employers' Federation and the Federation of Trade Unions in Norway, provide all their members a minimum total cash sickness benefit (national benefit inclusive) equal to 90 % of: Working income less Taxes less National Insurance Contribution, after only one day of sickness. Maximum working income considered is N Kr 40000 p. a. The employer pays 2½ % of the member's income as premium to the National Insurance Institution administering the scheme, of which premium the member's share is Kr 83 a year.



## UNEMPLOYMENT

Financial aid to obtain vocational training etc. Daily allowances after three days of unemployment, of the same size as the cash sickness benefits from the National Insurance, limited annually to 21 weeks for any person of age below 50 years, and 30 weeks at ages up to 64. Unlimited duration for older unemployed below age 67. Pensions or other income will reduce the daily allowances.

## REHABILITATION

Rehabilitation aid to those who due to illness, injury or defect have a permanently reduced capacity for work or substantially limited opportunities in the choice of occupation or place of work. Financial aid for accommodation etc. at medical centers, aid for vocational training and for being adapted to working, aid/loans for travelling, moving, and to start a new occupation. During disablement after 312 days with cash sickness benefits, cash rehabilitation allowances are granted at amounts corresponding to the disability pension from the National Insurance with supplements for spouse and children.

## PENSION BENEFITS

are fixed on the basis of the Basic Amount (see page 14), the insured's Pensionable Income and Accrual Period.

### PENSIONABLE INCOME =

Salary (remunerations for work in service, value of fringe benefits, cash sickness benefits if taxable income, fees as member of a board etc.)

+ Other occupational income (net taxable income in "self-employment" before deduction of interest on debts less 10 % less the part of debt interests exceeding 20 % of said net taxable income.)

Pensionable income is stipulated for each calendar year to the year of the insured's 69th birthday inclusive.

Maximum twelve basic amounts 12 G = 116400.

## ACCRUAL PERIOD

for supplementary pension = Number of years after 1966 with a pensionable income exceeding the basic amount for the year, from the year of the insured's 17th birthday, to the year of the insured's 66th birthday inclusive. In respect of pension taken out by the insured after age 70, such calendar years in which the insured attains age 67, 68 or 69 and has accrued pension points will also be included.

## PENSION POINTS

for one year = 
$$\frac{\text{Pensionable Income} - \text{Basic Amount}}{\text{Basic Amount}}$$

Income in excess of 8 G (77600) counts 1/3rd only when computing pension points. Maximum 8,33 points. For each of the years 1967-70 the maximum is 7,00 points, as income in excess of 8 G did not count.

Final number of points = the average of up to the 20 highest annual points

"Final points with Overcompensation" = the corresponding average of annual points assuming that income in excess of 5 G (48500) does not count

"Final points without Overcompensation" = the remainder of the final number of points.  
(See retirement pension formula)

## RETIREMENT AGE

67 years

Pension as disabled if age-weakened after age 64 (see disability pension)

## RETIREMENT PENSION

- between age 67 and age 70 optional:

No pension, or 1/4, 1/2, 3/4 or whole pension provided the sum of the national pension paid and any contemporary income by work does not exceed 80 % of yearly income by work prior to age 67. Any part of pension postponed in payment will accrue a "waiting addition" (see point 3 below).

The pension before age 70 is based on rights/pension points accrued before age 67.

- after age 70 (unconditionally, payable to all):

Whole pension, based on all rights/pension points accrued including any points credited in the years attaining age 67, 68 and 69.

Whole pension is the sum of basic and supplementary pension:

- (1) Basic pension for single person 9700 (G), for married couple 14550 ( $1\frac{1}{2}$  G) paid with 7275 (0,75 G) to each spouse.
- (2) Supplementary pension, subject to no less than three years' accrual period:  
  
45 % of G times final points with overcompensation reduced by 1/20 per year short of accrual period 20 years. The figure 20 be replaced by 21 if member born 1918, 22 if born 1919, ----- 40 if born 1937 or later.  
  
plus 45 % of G times final points without overcompensation reduced by 1/40 per year short of accrual period 40 years.  
  
Maximum accruable 3,75 G (36372), but maximum payable in 1974 is 8844 (0,91 G) for retired member.
- (3) Waiting addition is granted from the day whole pension is actually paid to the member and bears a proportion to that part - if any - of his own Basic pension and Supplementary pension deferred for payment some months after age 67. The waiting addition is 0,75 % of such pension part times the number of waiting months, maximum 27 %.
- (4) Special supplement is paid to a single person with 1649 (0,17 G) and to each spouse entitled to pension 1552 (0,16 G). Reduced by any Supplementary pension and Waiting addition.
- (5) Compensation supplement for single person 500, for married couple 750 paid with 375 to each spouse.

DISABILITY PENSION etc. for a permanently disabled

Basic grant 1455 (0,15 G) at disability involving significant extra expense. May be increased up to double amount.

Assistance grant 2425 (0,25 G) when needing special attention and nursing, or domestic help.

Subsequent to a possible rehabilitation and prior to retirement age is granted a Disability Pension provided the working capacity is permanently reduced by 50 % or more. Age-weakening after age 64 is equated with illness. Full disability pension is calculated like the retirement pension (with supplements) according to special rules, the accrual projected to age 67. The pension otherwise is graded in proportion to the disablement. The pension is to be as for a single person for as long as the spouse has not reached age 60 and not having care for children or is not needed to nurse the disabled.

Child supplement to disability pension 2425 (0,25 G) for each child below age 18, graded like the pension.

## LUMP SUM DEATH GRANT

1940 (0, 20 G). Increased to 4365 (0, 45 G) if the deceased leaves a spouse or children.

## SURVIVOR BENEFITS at member's death

### for WIDOW and WIDOWER

Assistance grant 1940 (0, 20 G) per annum when necessary care of the children must be left to someone else. May be increased.

Allowance for education/training to enable the survivor to become self-supporting (like at rehabilitation).

Transitional benefit of an amount equal to pension (see below) for as long as temporarily unable to be selfsupporting or while a claim for pension is being processed.

Pension is paid if (a) the marriage has lasted five years or more, or (b) if the couple had children. The amount is sum of 1 - 4 less reductions indicated:

- (1) Basic pension 9700 (G)
- (2) Supplementary pension = 55 % of the Supplementary retirement pension for the deceased spouse (according to special rules, and the accrual in case projected to age 67).

Through a means-test the basic and supplementary pension total is reduced by 40 % of any real or expected working income of the survivor in excess of one-half basic amount. A proportional reduction apply to the following:

- (3) Special supplement 1649 (0, 17 G) less any supplementary pension.
- (4) Compensation supplement 500

The benefits are discontinued when the surviving spouse attains age 67 or receive disability pension or is remarried. Retirement pension from the survivor's age 67 will be: Basic pension, plus 55 % of the total of supplementary retirement pensions for the survivor and deceased spouse if this 55 % is higher than 100 % of supplementary retirement pension for the survivor alone.

### for CHILDREN

Surviving children are eligible for pension up to age 18, shared equally between them, with

3880 (0, 40 G) for first child, and 2425 (0, 25 G) for each subsequent child.

If both parents have died, first child is granted an unreduced (not means-tested) surviving spouse's pension with supplements, second child 0, 40 G, and each subsequent 0, 25 G.



## OCCUPATIONAL INJURY

Special rules applying at injury/illness incurred to an employee or a fisherman at the place of work, a military person during service, a pupil or a student at the place of education, or a voluntarily insured self-employed while carrying out his trade:

A disabled person and survivors will get the above pensions stipulated under more liberal and favourable rules, as all Supplementary pensions shall be reckoned for full accrual period 40 years in spite of being born before 1940 and survivor pensions be granted regardless of the duration of the marriage, etc. Furthermore may be rendered an Occupational Injury Compensation of maximum 7275 (0,75 G) annually at considerable medical injury.

## FINANCING of the National Insurance

Contributions are paid along with taxes. The amounts not required to cover current benefits and expenses are transferred to the National Insurance Fund. In the yearly notice of assessment the tax authorities inform the member of his contribution and Pension Points for the year.

### Member Contribution

"Pension part" = 4,5 % of salary and 13,0 % of other occupational income (see page 15: pensionable income)

"Sickness part" = 4,4 % of taxable income in excess of Kr 4000 for single person/Kr 8000 for supporter.

Parts of said incomes exceeding Kr 114300 in 1974 non-contributory.

Employer Contribution 16,7 % of total pay. No limit.

Subsidies from State and Municipality  
each 2,25 % of the member's pensionable income.

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## WAR PENSIONS

for persons who got an injury or illness due to World War II.

Disability pension graded according to disablement and pension basis (expected possibility of income in 1946). Maximum 51900 and minimum 19404 at total disablement.

Widow pension 2/3rd of disability pension. Maximum 34608.

Financed for military servants by the State, and for civilians by the National Insurance Contributions.

## FAMILY ALLOWANCES ("Barnetrygd")

for supporter of children up to age 16.

Allowance for first child 550, second child 1650, third 2400, fourth 2620 and for each of the others 2840.

Financed by the State.

## STATE PENSION FUND ("Statens Pensjonskasse")

for public servants.

Retirement age 70 years. Normally granted a right to pension from age 67. Lower retirement age for special occupations.

Retirement pension  $0,66 \times \text{pension basis} \times 1/30 \times \text{years of service up to 30}$ . Pension Basis is the salary, however so that salary part between 87840 and 122990 only counts for one-third. Full disability pension equals the retirement pension. Maximum 65712.

Widow pension 0,60 of the retirement pension, maximum 39432.

Children pension 0,20 of retirement pension (maximum 13152) for first child below age 18, and 0,10 of retirement pension for each of the others.

Financed by member contribution 2 % of Pension Basis, and for the rest by the State.

## INTEGRATION PROVISIONS

Benefits from all public, law-directed pension schemes are reduced by:

National Insurance basic pensions, supplementary pensions, and pension for surviving children and special supplement.

However, reduction for basic pension shall not exceed  $3/4$  of a Basic Amount in regard to retirement and disability pension. A corresponding reduction is made for National Insurance rehabilitation allowance, and for  $3/4$  of a cash sickness benefit from the National Insurance.

Integration deductions are reduced proportionally for accrual periods shorter than full in the appropriate pension scheme.

War pensions are integrated according to special rules. Benefits from the State Insurance for Seamen will be integrated only with National Insurance basic pensions as computed in relation to a Basic Amount of Kr 6400, i. e. maximum reduction 4800 from retirement pension and 6400 from widow pension.

## EMPLOYEE BENEFIT PLANS

- a - Pension scheme
- b - Lump sum death benefits

### GENERAL NEEDS for PRIVATE PLANS

Private pensioning in Norway has become progressively widespread during the past thirty years. The same period saw a steady improvement of the general social security system, from basically sickness allowances and old-age pensions of small flat amount, gradually extended to cover benefits at disability and to survivors at death. When the compulsory, law-directed National Insurance took over in 1967, nearly 2/3rds of all employees in this country had some kind of supplementary cover through pension schemes.

Social security improvements only seem to push forward the need of more supplementary cover. When reviewing all existing private plans to take advantage of the income-graduated and increased pensions from the National Insurance as the basic cover, the general level of total pensions was markedly raised in private industry.

Companies and employees contribute considerable percentages of salary to the National Insurance. Still the cost in the first years naturally would be smaller than a level annual insurance premium, as the major part of the national scheme is financed on a pay-as-you-go basis. Thus many companies found that the integration of their old pension plans with the national pensions resulted in a considerably smaller overall cost. Therefore not only could the total level of pensions be raised, but also the employee contributions were dropped. This may now be brought further by the lowering of the national retirement age from 70 til 67 years from 1st January 1973.

Affiliates of foreign companies adopt local conditions to the highest extent possible, realising that they normally hire solely Norwegians and compete on the labour market with local companies for the best qualified personnel. It becomes ever more important for such companies to follow local trends, rather than having an eye to pension schemes abroad. The tendency to stick to making such plans contributory for members, despite the fact that Norwegian plans generally are non-contributory, now seems to be on the way out.

Main object of modern private pension plans would be to fill in the gaps between adequate pensions at old age, death and disablement and those benefits provided by the National Insurance.

- (i) Full national retirement pension is not granted until the year 2007 for all members, due to the full accrual period being 40 years after 1966. Parts of income below five Basic Amounts would accrue full national pension after 20 years, i.e. for those retiring in 1987 or later. And parts of income above eight Basic Amounts accrue full national pension only with 15 %. To fill these gaps up to a full and total National Insurance level for all salaries would be a primary object of any private supplementary plan.

- (ii) Would this total level be complete and satisfactory to all? Naturally a general scheme covering the whole population could hardly meet all individual needs. Questions to be answered would be:
- What age is an appropriate retirement age for each employee in the various groups of occupation within my company?
  - Which retirement income is adequate, compared to an assumed final salary, and compared to what other industry offer their employees?
  - How should pensions be stipulated for payment at disability and at death?
  - Would a widow need some extra coverage for periods when the national widow pension is reduced or not paid?
  - To which age should a surviving child need a pension until he may earn his own income from work?

Funded private plans are favoured tax-wise. If the plan is not opposed to specific Tax Rules (see "TAXATION"), the premiums and contributions are tax deductible. Thus the employer's liberty of action is somewhat confined - the plan could not be constructed freely.

#### RETIREMENT AGE

Normal retirement age in private schemes hitherto has varied between ages 67, 68 and 70 years. It is expected that the retirement age will gradually become age 67 in most schemes, now as this is the general national retirement age. New plans regularly are established with retirement age 67.

The Tax Rules, except for a few special occupations, will not permit any retirement age below 67. It is hoped, however, that within a year or two it should be permitted to fund for retirement at age 65, if not lower.

Early retirement pensions could be paid by employers, outside the funded plan, as tax-free expenditure year by year.

The life expectancy for a 67 year old man in Norway is 12,61 years and for a woman 15,01 years according to latest statistics.

#### PENSION FORMULA

Retirement pensions in Norway almost exclusively are fixed in percentage to Final Salary, in some plans still modified by using the salary paid third year before normal retirement or the average of final three years, etc. Career average plans or money purchase systems are not practised.



Pensionable Service - between date appointed and the projected retirement date - up to a certain number of whole years (normally 30, or 35 or 40 years) would be taken into account. When the full, total pension is a fixed percentage of salary, all pensions would be proportionately reduced according to years of service missing on 30/35/40.

The majority of plans in Norway provide retirement pensions after full career to be 66 % of salary or a higher level. Other normal percentages could be 70 % or 60 %. Rather few schemes apply 55 %.

- This being the total pension, an offset is made for national pensions. We then deduct from the full pension an hypothetical estimate of the actual National Retirement Pension. As the national pension is composed of a basic pension depending on the civil status (100 % of Basic Amount if single and 75 % of Basic Amount for each partner of a married couple) and a supplementary pension as indicated elsewhere, the only difference in offset method will be to consider either 75 % or 100 % of the Basic Amount.

- The net pension after offset is reduced, in case, according to the pensionable service.

By example, the national pension for a single person in terms of average salary not over 8 Basic Amounts (G) could roughly be estimated as

$$G + 45 \% (\text{Salary less } G) = 45 \% \text{ Salary} + 55 \% G$$

A 66 % company pension after full offset and payable to single and married employees alike, would be:

$$66 \% \text{ Salary} - (45 \% \text{ Salary} + 55 \% G) = 21 \% \text{ Salary} - 55 \% G$$

This certainly could not give an exact total of 66 %, bearing in mind the complex system of averaging "pension points" in the National Insurance. Furthermore the supplementary pension needs to be adjusted at any not foreseeable change of the national pensions.

We therefore now introduce a slightly different type of retirement plan, providing for instance 15 % or 20 % of salary in excess of one Basic Amount, 25 % of salary in excess of 2 G, etc. The idea being to avoid close integration with an ever-changing hypothetical national pension. (Still it might be a need first to fill the gap up to a full and total National Insurance as a basic cover.)

## WIDOW PENSION

Norwegian pension plans provides for the widow a pension at an employee's death before or after retirement. The pension is paid for the rest of her life, unconditioned and not discontinued at remarriage in insured plans.

The total level of pension aimed at for the widow usually is somewhat over 60 % of the husband's own retirement pension. Because the National Insurance could pay a full survivor pension around two-thirds

or more related to the husband's national pension, an appropriate supplementary pension from the private plan is 55 or 60 % of the net retirement pension after offset.

In very few plans the widow pension is stipulated on the total aspect as for retirement pension, offset by the estimated national widow pension. The net result regularly is lower in such plans.

Some employers consider it justifiable to compensate any reduction of the widow's national pension due to occupational means-test subject to her estimated working income. The insured benefit for widows could be strengthened or the employer may pay supplementary grants directly. One alternative is a lump sum death benefit through group life insurance (see below).

Norske Folk has asked approval from the authorities for offering Widower Pension under group plans, supplementing the national pension for widowers.

#### CHILDREN PENSION

A child whose mother or father dies will receive National children pension of flat and rather small amounts. The more exceptional case of one child having lost both parents (a full-orphan) makes him entitled to pension as for a widow. Children pension ceases at age 18.

Supplementary private plans usually secure first child 40 % (or 50 %) of the male and female employees' net retirement pension after offset. Second child and each of all subsequent children will receive one-half of the amount for one child. Due to the favourable national benefit granted to full-orphans, prior rules of doubling the insured pension in such cases are dropped.

Private plans more and more accept age 21 as a suitable ceasing date for children pensions, on account of the needs for education commonly at least up to that age. The alternative is ceasing age 18 years.

#### LUMP SUM DEATH BENEFIT

Group Life Insurances have not been operated generally in Norway until rather few years ago, but this way of securing death benefits now is extremely popular and rapidly extending.

Group life insurances in some cases are established before a decision is taken with regard to the pension plan, to provide a cheap and necessary protection against death risks. The insurance is a valuable extra to a pension plan, to help the survivors overcome the extraordinary economic problems following a death, in addition to the regular survivor pensions thereafter. - Normally a group life insurance covers all employees from the date employed, but it could be restricted to certain occupational groups, or those who are members of the pension plan, all the married, etc.

The lump sum insured often is one or two times the annual salary. Or it might be five or ten times the Basic Amount of the National Insurance (G).

Where for certain reasons all amount would not be covered through group life insurance, say when the sum exceeds a present limit of 15 G, individual life term insurance could secure the difference.

#### DISABILITY BENEFIT

At total temporary or permanent disablement due to sickness or injury in the majority of private plans, a pension would be paid after a 3 months' waiting period (in some cases 12 months) with amount equal to the net retirement pension after offset. Partial disablement, down to 25 %, entitles to a correspondingly reduced pension. In most plans a child supplement of one-tenth per child is added.

For a Group Life Insurance with Disability Sum part of the insured sum could be cashed after 2 years of permanent disablement (see page 6).

#### Private HEALTH INSURANCE

is not practised nor needed in Norway, due to the extensive National Insurance, free hospital care and strongly subsidized medical service outside hospitals.

#### FUNDING and VESTED RIGHTS

Nearly all pension schemes in Norway are funded through group pension insurance. The remainder less than 5 % are arranged as trusts (self-administered pension funds), controlled by the State Insurance Board and with premiums not allowed to be less than those of the group pension insurance tariffs. In all schemes the vesting of accrued pension benefits, as also provided by the Tax Rules, shall correspond to the level premiums/contributions paid during his entire membership period. Since 1938 this has been mandatory in group pension insurance conditions in Norway. A slight modification in short service cases is permitted (see page 11: § 13 of tax rules).

#### WHO PAYS for the plan?

As mentioned above there is a marked tendency to make all pension plans non-contributory. Hardly more than one out of four schemes in Norway today is contributory for the members. Moreover, it is extremely difficult to justify any contribution rule as fair in comparison to benefits received from the scheme. The member's sharing in the cost is more or less a question of salary. Norwegians do not seem more happy with a benefit plan where they participate in the cost than where they do not. And changes to a plan are more easily settled when the employer carries all cost.

NORSKE FOLK administers a majority of the pension schemes in Norway as presently 2500 group pension insurances are funded in the company (market share: 60 per cent)

Some MULTINATIONAL FIRMS INSURED IN NORSKE FOLK  
(non-Scandinavian)

Agfa-Gevaert A/S  
Agra Margarinfabrikk (Unilever)  
Air France  
A/S Arendal Smelteverk (Carborundum Co.)  
Akzo Chemie A/S

Bayer Kjemi A/S  
Berkel A/S

Bostik A/S  
British Airways  
Burroughs A/S  
Burroughs Wellcome

Carboscan A/S  
Castrol Ltd.  
Chrysler Norge A/S  
The Coca-Cola Export Corporation, Norway

Det Beste A/S (Readers Digest)  
D.L.W. Norge A/S  
DNN Aluminium A/S (British Aluminium)

Electric Furnace Products Co. Ltd.  
Expandite Norge A/S (Burmah group)  
A/S Falconbridge Nikkelverk  
Firestone Norge  
Ford Motor Norge A/S  
Fransk-Norsk Handelskammer

General Motors Norge A/S  
Gillette (Norway) A/S

Hjemmets Produkter A/S (Homes')  
Hoover Norsk A/S  
Hässle-Ciba-Geigy A/S

I. C. I. (Norge) A/S  
International Business Machines A. S - IBM  
International Wool Secretariat



Japan Air Lines

Kalikontoret

Keyes Norway A/S

Kronos Titan A/S (National Lead)

A/S Meraker Smelteverk (Union Carbide)

Merck Sharp & Dohme

3 M Norge A/S

Mobil Oil A/S Norge

Monsanto Norge

Nalfloc Norge Ltd.

National Kassa Register A/S (NCR)

Nestlé - Findus A/S

Nordisk Kartro

Norsk Citroën A/S

A/S Norsk Elektrisk & Brown Boveri

Norsk Gulf A/S

Norsk Marconikompani A/S

Norsk A/S Philips

A/S Norsk Tetra Pak

Norsk Texaco Oil A/S

A/S Norske Esso

Norske Hoechst A/S

Norske Thorn (Atlas lamps)

Odda Smelteverk A/S (British Oxygen)

Osram-Fabrikken A/S

Paragon A/S

Phillips Petroleum Co. Norway

Rhine-Schelde Norge A/S

A/S Risør Træmassefabriker (Bowater organisation)

Roneo Vickers Norge A/S

A/S Saudefaldene (Electric Furnace)

Scandinavian Transparent Paper A/S

Siemens Norge A/S

Singer A/S

Sperry Rand Norge A/S, Univac

Standard Telefon og Kabelfabrik A/S (ITT)

Tate & Lyle (Norway) A/S

Texaco Norway A/S

Titania

A/S Tyssefaldene

United Shoe Machinery Company A/S

A/S Vigeland's Brug (Metal Refinery)

Woods of Colchester Scandinavia A/S







